

GRIZZLY DISCOVERIES INC.

Condensed Consolidated Interim Financial Statements

For the three and six months ended January 31, 2013 and 2012

To the shareholders of Grizzly Discoveries Inc.:

The interim consolidated condensed financial statements of Grizzly Discoveries Inc. (the "Company") for the three and six months ended January 31, 2013 and 2012 have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

GRIZZLY DISCOVERIES INC.
Condensed consolidated interim statements of financial position

As at	January 31 2013 <i>(unaudited)</i>	July31 2012
ASSETS		
Current		
Cash and cash equivalents	\$ 414,872	\$ 991,160
Restricted cash	25,000	25,000
Other current assets (note 4)	<u>902,794</u>	<u>873,456</u>
	1,342,666	1,889,616
Equipment		
Mineral properties (note 5)	<u>21,307</u>	25,067
	<u>10,932,974</u>	<u>10,777,285</u>
	<u>\$ 12,296,947</u>	<u>\$ 12,691,968</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 58,599</u>	<u>\$ 184,883</u>
EQUITY		
Share capital (note 7)	19,653,042	19,653,042
Contributed surplus	2,470,678	2,454,117
Accumulated other comprehensive loss	(32,899)	(78,166)
Deficit	<u>(9,852,473)</u>	<u>(9,521,908)</u>
	12,238,348	12,507,085
	<u>\$ 12,296,947</u>	<u>\$ 12,691,968</u>

Approved by the Audit Committee

Director (signed by) "Ben Hubert"

Director (signed by) "Doug Turnbull"

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

GRIZZLY DISCOVERIES INC.

Condensed consolidated interim statements of loss and comprehensive loss

(unaudited)

For the	three months ended January 31		six months ended January 31	
	2013	2012 <i>(note 6)</i>	2013	2012 <i>(note 6)</i>
OTHER INCOME				
Interest income	\$ 1,182	\$ 12,399	\$ 3,597	\$ 28,370
Flow-through share premium (note 6)	-	185,565	-	190,083
TOTAL OTHER INCOME	1,182	197,964	3,597	218,453
EXPENSES				
General and administration (note 8)	(157,031)	(249,397)	(268,617)	(411,518)
Share based compensation (note 7)	(10,000)	(32,650)	(16,561)	(38,633)
Impairment (note 4)	(56,000)	-	(56,000)	-
TOTAL EXPENSES	(223,031)	(282,047)	(341,178)	(450,151)
LOSS BEFORE INCOME TAXES	(221,849)	(84,083)	(337,581)	(231,698)
Deferred tax recovery (expense)	7,016	(320,653)	7,016	(376,646)
NET LOSS	(214,833)	(404,736)	(330,565)	(608,344)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized loss on available for sale investments	(2,394)	3,489	(3,717)	(15,776)
Impairment through profit and loss (note 4)	56,000	-	56,000	-
Deferred taxes	(7,182)	(626)	(7,016)	2,129
	46,424	2,863	45,267	(13,647)
COMPREHENSIVE LOSS	\$ (168,409)	\$ (401,873)	\$ (285,298)	\$ (621,991)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	48,725,268	48,350,268	48,725,268	48,350,268

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

GRIZZLY DISCOVERIES INC.

Condensed consolidated interim statements of changes in equity

*(unaudited)***For the six months ended January 31, 2013**

	Number of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total equity
July 31, 2012	48,725,268	\$ 19,653,042	\$ 2,454,117	\$ (9,521,908)	\$ (78,166)	\$ 12,507,085
Comprehensive loss		-	-	(330,565)	45,267	(285,298)
Share based compensation		-	16,561	-	-	22,561
January 31, 2013	48,725,268	\$ 19,653,042	\$ 2,470,678	\$ (9,852,473)	\$ (32,899)	\$ 12,238,348

For the six months ended January 31, 2012

	Number of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total equity
July 31, 2011	48,350,268	\$ 19,524,292	\$ 2,037,470	\$ (4,079,524)	\$ (65,366)	\$ 17,416,872
Comprehensive loss		-	-	(608,344)	(13,647)	(647,129)
Share based compensation		-	38,633	-	-	38,633
January 31, 2012	48,350,268	\$ 19,524,292	\$ 2,076,103	\$ (4,687,868)	\$ (79,013)	\$ 16,833,514

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

GRIZZLY DISCOVERIES INC.

Condensed consolidated interim statements of cash flows

(unaudited)

For the six months ended January 31	2013	2012 <i>(note6)</i>
Cash used in:		
Operating activities:		
Net loss	\$ (330,565)	\$ (608,344)
Items not affecting cash and cash equivalents:		
Depreciation	3,760	5,372
Share based compensation	16,561	38,633
Flow through share premium	-	(190,083)
Deferred taxes	(7,016)	376,646
Impairment	56,000	-
Changes in non-cash working capital:		
Other current assets	(19,258)	(116,823)
Accounts payable and accrued liabilities	(126,284)	348,129
Cash and cash equivalents used in operating activities	<u>(406,802)</u>	<u>(146,470)</u>
Investing activities:		
Mineral properties expenditures	<u>(169,486)</u>	<u>(3,479,700)</u>
Net decrease in cash and cash equivalents	(576,288)	(3,626,170)
Cash and cash equivalents – beginning of period	<u>991,160</u>	<u>6,052,179</u>
Cash and cash equivalents – end of period	<u>\$ 414,872</u>	<u>\$ 2,426,009</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. Nature of operations

Grizzly Discoveries Inc. (the "Company" or "Grizzly") was incorporated on May 31, 2002 in Alberta and is in the business of acquiring and exploring mineral properties located in Canada. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's registered office is Suite 3400, 350 7 Avenue SW, Calgary, Alberta, T2P 3N9. The Company's head office is at Suite 220, 9797 45 Avenue NW, Edmonton, Alberta, T6E 5V8.

Long-term continuance of the Company's operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company's mineral properties is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of mineral properties.

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements as specified in International Accounting Standard 34 – *Interim financial reporting* ("IAS 32") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not contain all of the disclosures required for financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Company for the year ended July 31, 2012.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Alberta Potash Corp. (incorporated in Alberta). All intercompany balances and transactions have been eliminated on consolidation.

These condensed consolidated interim financial statements have been prepared on a historical cost basis with the exception of marketable securities included in other current assets, which are measured at fair value.

These condensed consolidated interim financial statements are presented in Canadian Dollars unless otherwise noted.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on March 27, 2013.

3. Significant accounting policies

On August 1, 2012, the Company adopted the revised International Accounting Standard 12 – *Income Taxes (Amended)*, which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

In addition, on August 1, 2012, the Company adopted the amended IFRS 7 – *Financial instruments: Disclosures (Amended)* requiring additional disclosures on transferred financial assets.

These revised accounting policies have been adopted by the Company as required under the relevant IFRS'. The adoption of these policies has had no effect on the consolidated financial statements of the Company.

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Notes to the condensed consolidated interim financial statements

For the three and six months ended January 31, 2013 and 2012

*(unaudited)***4. Other current assets**

As at	January 31, 2013	July 31, 2012
Goods and services tax receivable	\$ 15,580	\$ 48,375
Mineral exploration tax credits receivable	778,189	764,392
Prepayments and deposits	106,157	54,104
Marketable securities	<u>2,868</u>	<u>6,585</u>
	<u>\$ 902,794</u>	<u>\$ 873,456</u>

During the period ended January 31, 2013, the Company determined that one of the marketable securities in its portfolio with an original cost of \$56,000, and with an estimated fair value of \$3,000 as at July 31, 2012, has been impaired as the marketable security no longer trades on an exchange. The Company has adjusted the carrying value of this marketable security to nil, and has reclassified an unrealized loss of \$56,000 from accumulated other comprehensive income to profit and loss in the period, along with associated deferred taxes.

5. Mineral Properties

	Alberta Diamond Properties	Alberta Potash Properties	BC Precious Metals Properties	Total
July 31, 2011	\$ 5,441,467	\$ 746,060	\$ 6,392,596	\$ 12,580,123
Acquisition and land use	-	24,783	381,528	406,311
Exploration and evaluation costs	6,780	1,770,968	1,461,349	3,239,097
Impairment	<u>(5,448,246)</u>	-	-	<u>(5,448,246)</u>
July 31, 2012	1	2,541,811	8,235,473	10,777,285
Acquisition and land use	-	-	3,697	3,697
Exploration and evaluation costs	-	43,547	108,445	151,992
January 31, 2013	<u>\$ 1</u>	<u>\$ 2,585,358</u>	<u>\$ 8,347,615</u>	<u>\$ 10,932,974</u>

Alberta Potash Properties

During the period ended January 31, 2013 and subsequent, the Company allowed several of its 100% owned metallic and industrial minerals permits to lapse pursuant to filings assessment reports with Alberta Energy, reducing the area of the Company's Alberta Potash Project, consisting of the North Block near Lloydminster, Alberta and the South Block near Medicine Hat, Alberta, by approximately 476,000 hectares ("ha") (1,177,000 acres), pursuant to which the Company's 100% owned Alberta Potash Properties cover an area of approximately 305,000 ha (752,000 acres).

The Company's 50% joint owned Provost Property of the Alberta Potash Project covers an additional area of approximately 212,000 ha (524,000 acres). Assessment reports on expenditures incurred on the Provost Property will be filed in the near term, and management estimates these filings will result in a reduction to the area covered by the Provost Property by 136,000 ha (337,000 acres), to a total of approximately 76,000 ha (187,000 acres).

Once all assessment reports due in 2013 have been filed and accepted by Alberta Energy, the Company will hold or have an interest in metallic and industrial mineral permits in Alberta totaling approximately 380,000 ha (939,000 acres). The Company has retained the permits underlying the area for which the Company has assessed the most prospective for Potash, and the Company therefore has not recorded, nor anticipates, any impairment to the carrying value of the Alberta Potash Properties resulting from these events.

6. Flow through share premium

The Company had no obligation to incur flow through expenditures as at July 31, 2012 nor at January 31, 2013.

Restatement of prior period results

In its consolidated condensed interim financial statements for the three months ended January 31, 2012, which were the Company's second consolidated condensed interim financial statements prepared in compliance with IAS 32, the Company had calculated the deferred flow through share premium and flow through share premium income based on an estimated value of the flow through share premium determined by comparing the flow through share issue price against the fair market value of the Company's common shares on the date of sale of flow through shares. Where the issue price was in excess of the fair market value on the date of issuance, the excess amount was deemed to be the flow through share premium.

In the preparation of the Company's consolidated financial statements for the year ended July 31, 2012, the Company's first consolidated financial statements prepared under IFRS, the Company refined its method for determining the premium associated with the sale of flow through shares by examining all circumstances surrounding the issuance of flow through shares, such as: comparison against similar instruments sold which do not have the flow through feature; an examination of recent history of issuances; and negotiations with brokers and agents in establishing the issue price.

As a result of this refined measurement basis for the flow through share premium, the prior period amount for the flow through share premium on the condensed consolidated statement of loss has been adjusted in these condensed consolidated interim financial statements to accord with the annual amounts reported in the Company's consolidated financial statements for the year ended July 31, 2012.

The amounts originally reported for flow through share premium income for the three and six months ended January 31, 2012 was \$70,031 and \$105,680 respectively. Pursuant to the restatement, this amount has been adjusted to flow through share premium income for the three and six months ended January 31, 2012 of \$185,565 and \$190,083 respectively. The adjustments to the flow through share premium income amounts increased the originally reported net loss for the three month period ended January 31, 2012 by \$115,534, and for the six month period ended January 31, 2012 by \$84,403. These adjustments had no material effect on the period's basic and diluted net loss per common share, and had no effect on the total operating, investing, or financing cash flows.

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Notes to the condensed consolidated interim financial statements

For the three and six months ended January 31, 2013 and 2012

*(unaudited)***7. Share capital***Common shares*

The Company's articles authorize an unlimited number of common shares with no par value and an unlimited number of preferred shares. The Company has not issued any preferred shares.

A summary of changes in common share capital is as follows:

	Number of Shares	Weighted average issue price	Amount
Balance, July 31, 2011	48,350,268		\$ 19,524,292
Issuance of shares for mineral properties	375,000	\$ 0.343	128,750
Balance, July 31, 2012 and January 31, 2013	48,725,268		\$ 19,653,042

Common share purchase warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Outstanding share purchase warrants, July 31, 2011	19,259,323	\$ 0.66
Expired	<u>(8,164,776)</u>	\$ 0.56
Outstanding share purchase warrants, July 31, 2012	11,094,547	\$ 0.74
Expired	<u>(11,094,547)</u>	\$ 0.74
January 31, 2013	<u>-</u>	\$ -

A summary of share purchase warrants outstanding is as follows:

As at January 31, 2013				As at July 31, 2012			
Exercise price	Warrants outstanding	Warrants exercisable	Years to expiry	Exercise price	Warrants outstanding	Warrants exercisable	Years to expiry
\$ -	-	-	-	\$ 0.75	4,032,500	4,032,500	0.2
\$ -	-	-	-	\$ 0.75	1,060,821	1,060,821	0.2
\$ -	-	-	-	\$ 0.85	1,271,607	1,271,607	0.2
\$ -	-	-	-	\$ 0.75	600,000	600,000	0.2
\$ -	-	-	-	\$ 0.75	311,964	311,964	0.2
\$ -	-	-	-	\$ 0.85	959,821	959,821	0.2
\$ -	-	-	-	\$ 0.60	583,334	583,334	0.4
\$ -	-	-	-	\$ 0.35	203,500	203,500	0.4
\$ -	-	-	-	\$ 0.65	2,071,000	2,071,000	0.4
\$ -	-	-	-	\$ 0.74	11,094,547	11,094,547	0.3

During the period ended January 31, 2013, an aggregate 11,094,547 warrants expired without exercise.

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Notes to the condensed consolidated interim financial statements

For the three and six months ended January 31, 2013 and 2012

*(unaudited)**Common share purchase options*

A summary of stock option activity is as follows:

	Number of options	Weighted average exercise price
Outstanding stock options, July 31, 2011	3,440,000	\$ 0.64
Granted	1,600,000	\$ 0.75
Expired	<u>(225,000)</u>	\$ 0.79
Outstanding stock options, July 31, 2012	4,815,000	\$ 0.67
Granted	200,000	\$ 0.10
Options repriced – old price	(1,310,000)	\$ 0.58
Options repriced – new price	1,310,000	\$ 0.10
Expired	<u>(250,000)</u>	\$ 1.20
Outstanding stock options, January 31, 2013	<u>4,765,000</u>	\$ 0.27

A summary of stock options outstanding is as follows:

As at January 31, 2013				As at July 31, 2012			
Exercise price	Options outstanding	Options exercisable	Years to expiry	Exercise price	Options outstanding	Options exercisable	Years to expiry
\$ -	-	-	-	\$ 1.20	100,000	100,000	0.1
\$ -	-	-	-	\$ 1.50	50,000	50,000	0.1
\$ -	-	-	-	\$ 1.05	100,000	100,000	0.4
\$ 1.20	600,000	600,000	0.1	\$ 1.20	600,000	600,000	0.6
\$ 0.10	100,000	100,000	0.2	\$ 0.50	100,000	100,000	0.7
\$ 1.00	100,000	100,000	0.4	\$ 1.00	100,000	100,000	0.9
\$ 0.10	500,000	500,000	0.6	\$ 0.75	500,000	375,000	1.1
\$ 0.45	150,000	150,000	1.1	\$ 0.45	150,000	150,000	1.6
\$ 0.10	200,000	-	1.9	\$ 0.42	200,000	200,000	2.4
\$ 0.10	625,000	175,000	2.0	\$ 0.40	625,000	625,000	2.5
\$ 0.10	40,000	40,000	2.8	\$ 0.30	40,000	40,000	3.3
\$ 0.10	750,000	270,000	2.8	\$ 0.30	750,000	750,000	3.3
\$ 0.10	200,000	-	3.1	\$ 0.47	200,000	200,000	3.6
\$ 0.10	200,000	-	3.2	\$ 0.55	200,000	200,000	3.7
\$ 0.10	1,100,000	225,000	3.8	\$ 0.75	1,100,000	1,100,000	4.3
\$ 0.10	200,000	200,000	4.8	\$ -	-	-	-
\$ 0.27	4,765,000	2,360,000	2.3	\$ 0.67	4,815,000	4,690,000	2.5

During the period ended January 31, 2013, the Company issued an aggregate of 200,000 stock options to consultants of the Company, vesting upon issuance, and expiring December 5, 2017, or earlier in accordance with the terms of the Company's stock option plan, with each option entitling the optionee to purchase one common share of the Company at an exercise price of \$0.10 per common share. The estimated fair value of options granted in the period of \$10,000 has been recorded as share based compensation expense and an increase to contributed surplus. The weighted average grant date fair value of \$0.05 per option granted was estimated using the Black Scholes option pricing model using the

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(unaudited)

following weighted average grant date assumptions: grant date stock price of \$0.035; risk-free rate 1.15%; expected volatility 96.4%; annual dividend yield 0%; expected life of option 5 years. The expected volatility is based on historic volatility (based on the life of the option) adjusted for any expected changes to future volatility due to publicly available information.

The Company has also recorded share based compensation of \$6,561 related to options vesting which were granted in the year ended July 31, 2012.

In addition, during the period ended January 31, 2013, the Company announced that the Board of Directors had authorized a revision to the terms of a total of 3,715,000 stock options, with original exercise prices ranging from \$0.30 to \$0.75, to reduce the exercise price of such options to \$0.10 per option. Of the 3,715,000 options authorized for re-pricing, 2,405,000 options are held by Insiders (as that term is defined in the TSX Venture Exchange policies) ("Insider Options.") Pursuant to the Policies of the TSX Venture Exchange, the Insider Options may not be exercised at the revised exercise price until the re-pricing of Insider Options is approved by the Company's shareholders. As such, as at January 31, 2013, options authorized for re-pricing and held by insiders are not exercisable. The Company's shareholders approved the re-pricing subsequent to January 31, 2013.

Subsequent to January 31, 2013, the Company issued 300,000 stock options to an officer of the Company expiring on March 15, 2018 or earlier in accordance with the Company's stock option plan, at an exercise price of \$0.10 per common share.

8. General and administrative expenses

For the	three months ended		six months ended	
	January 31		January 31	
	2012	2011	2012	2011
Advertising and promotion	\$ 23,225	\$ 63,855	\$ 32,116	\$ 81,216
Conferences and corporate travel	90	40,840	4,101	56,007
Consulting fees	65,995	91,549	122,292	183,521
Office and administration	21,206	27,723	43,647	42,506
Regulatory and transfer fees	8,792	10,403	14,179	22,097
Depreciation	1,880	2,686	3,760	5,372
Professional fees	35,843	12,341	48,522	20,799
	\$ 157,031	\$ 249,397	\$ 268,617	\$ 411,518